



## Mark Mahon

Director of Special Investigations  
Indiana State Board of Accounts

### Mark's Background

- U.S. Army veteran
- Retired from the FBI after 20 years of service (Violent Crimes, Terrorism, Cyber, Public Corruption and Fraud Cases)
- Joined the State Board of Accounts in 2016



## **Tammy Baker**

Special Investigations Coordinator  
Southern District

### **Tammy's Background**

- Joined the State Board of Accounts in 1992
- Served as Field Examiner
- Served as Supervisor over Not-For-Profits; License Branches; Schools and Townships; and Special Investigations Coordinator



## **Dean Gerlach**

Special Investigations Coordinator  
Northern District

### **Dean's Background**

- Joined the State Board of Accounts in 1980
- Served as Field Examiner; Field Supervisor; and Special Investigations Coordinator



# Dave Bixler

Senior Special Investigator Southern  
District

## DAVE'S BACKGROUND

- Joined the State Board of Accounts in 1987
- Served as Field Examiner; Auditor in Charge; and Special Investigations Examiner



**Map of Special Investigations Districts  
April 2018**

**Northern District:**

- Dean Gerlach, Coordinator
- Stan Willmert
- Mary Jo Small
- Jeff Paul
- Steve Poor
- Kristin Campbell
- Bill Vinson

**Southern District:**

- Tammy Baker, Coordinator
- Gina Gambaiani
- Annette Ladson
- Sandy Gerlach
- David Bixler
- Lynne Spencer
- Jon Bennington
- Eugene West
- Sam Wilson



## SBOA Special Investigations Role

- Assess situations where there is an indication of fraud or other criminal activity involved
- Where appropriate, conduct a focused audit/investigation on the activities related to the potential criminal activity
- Coordinate with law enforcement, prosecutors, and the Indiana Attorney General to resolve the matter through the judicial system
- Prevent the misuse of public resources through education and outreach



## What to expect from Special Investigations

### Assessment Phase

- In initial call, we will notate the who, what, when, where, and how much
- Obtain contact information
- Assess the situation to determine if it is within the SBOA's jurisdiction
- Perform an initial review of documents
- Determine the priority in relation to other engagements
- When appropriate, conduct focused audit/investigation



## What to expect from Special Investigations

### Audit/Investigation Phase

- Basic steps during the investigation
  - Collect and analyze pertinent data
  - This may involve on-site and off-site work
  - Identify the activity
  - Determine accountability
  - Determine intent
- Coordinate with appropriate law enforcement or Prosecutor



## What to expect from Special Investigations

### Coordination with Law Enforcement/Prosecutor

- We may work with local law enforcement, IRS, IDOR, etc.
- Coordinate on who is doing what work
  - SBOA may do the accounting work and review of financial records
  - Law enforcement may do interviews and consult with Prosecutor regarding criminal charges
  - Issuance of subpoenas when necessary
- Determine the necessary documentation required to support criminal case
- Coordinate with the State Attorney General for collection of civil amounts



## What to expect from Special Investigations

### Reporting/Prevention/Outreach

- How is this accomplished:
  - Reporting
    - Special Investigation Report
    - Special Compliance Report
    - Management Letter
  - Potential solutions for compliance related items
  - Recommendations for strengthening internal controls
    - Discussions during the audit/investigation
    - Manuals, County Bulletins, SBOA website ([www.in.gov/sboa/](http://www.in.gov/sboa/)), Associations



## Prevention Equals Good Internal Controls

- Ensure no one person has control over all parts of a transaction.
- Restrict use of agency credit cards and verify all charges made
- Protect checks against fraudulent use.
- Protect cash and check collections.
- Think about these items in relation to your specific situation. Do you have two employees or twenty? Do you operate in more than one physical location?



## Association of Certified Fraud Examiners

# REPORT TO THE NATIONS

2018 GLOBAL STUDY ON OCCUPATIONAL FRAUD AND ABUSE

- **2018 Report to the Nations** - is based on the results of the **ACFE 2017 Global Fraud Survey**, an online survey of Certified Fraud Examiners conducted from July 2017 to October 2017.
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## Need For Internal Controls

- **Susceptibility to Fraud** – Governments at all levels are at risk.

### VICTIM ORGANIZATIONS

How are different kinds of organizations affected by occupational fraud?

To better understand the victim organizations in our study, we asked participants to provide information about the organizations' type, size, and industry, as well as the mechanisms that the organizations had in place to prevent and detect fraud at the time the scheme occurred.

#### Type of Organization

As shown in Figure 12, more than 70% of the frauds in our study occurred at for-profit organizations, with 42% of the victim organizations being private companies and 29% being public companies. The private companies in our study suffered the greatest median loss, at USD 164,000. Not-for-profit organizations were the victim in only 9% of frauds and had the smallest median loss of USD 75,000; however, for many not-for-profit entities, financial resources are extremely limited and a loss of USD 75,000 can be particularly devastating.

#### Level of Government Organization

Resources and operations vary greatly by level of government, meaning that fraud can affect these organizations differently. Consequently, we broke down the government fraud cases in our study based on the level of government agency involved. While there was not a large variation in the percentage of schemes that occurred at local, state/provincial, and national levels, the frauds at national-level agencies tended to be much larger, causing a median loss approximately twice as large as the losses experienced by local and state/provincial governments (see Figure 13).

FIG. 12 What types of organizations are victimized by occupational fraud?

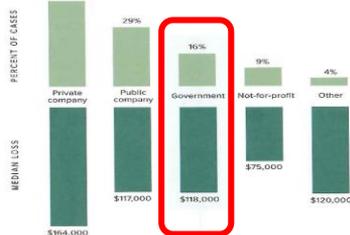


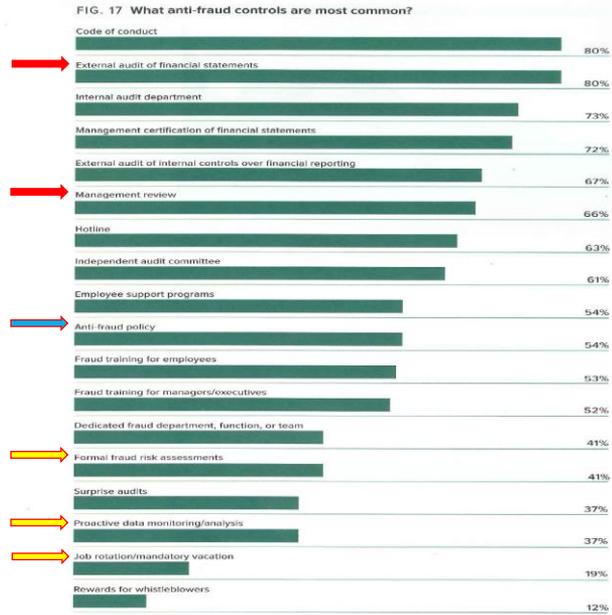
FIG. 13 What levels of government are victimized by occupational fraud?



\*Dollar amounts are median loss.

## Internal Controls

- Review In Relation To Your Offices – Consider adding some different items based on your circumstances.



Victim Organizations Report to the Nations 27

## Issues To Look Out For

- Skimming schemes
- Use of position to waive fees/not charge/not collect for services
- Use of unit's credit card to pay for personal purchases
- Fraudulent reimbursement schemes
- Overpayment of Salary
- Kickbacks/Bribery/Pay to Play
- Red Flags



## Issues To Look Out For

**Red Flags** – Various situations that have been consistently shown to be contributing factors to fraud.

FIG. 38 How often do perpetrators exhibit behavioral red flags?



- Tips – Sources of information for initiation of investigations.

### Tip Sources

Since tips are the most common detection method, it is important to understand where those tips come from. Figure 10 shows that slightly more than half of all tips (53%) were provided by employees of the victim organizations. Meanwhile, nearly one-third (32%) of the tips that led to fraud detection came from people outside the organization: customers, vendors, and competitors. Active cultivation of tips and complaints, such as the promotion of fraud hotlines, is often geared primarily toward employees,

but this data suggests organizations should also consider promoting reporting mechanisms to outside parties, especially customers and vendors. Additionally, 14% of tips came from an anonymous source, demonstrating that a significant portion of those who reported fraud did not want their identities known. Whistleblowers often have a fear of being identified or retaliated against, which is why it is important that they be able to make reports anonymously where such practice is legally permissible.

FIG. 9 How is occupational fraud initially detected?

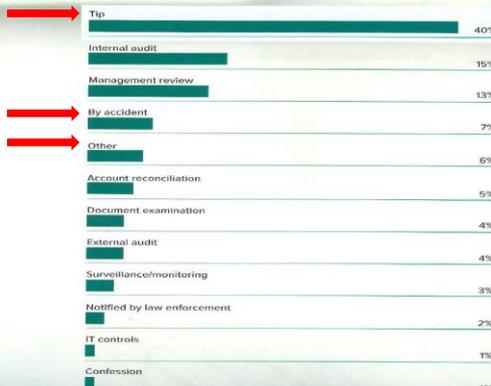


FIG. 10 Who reports occupational fraud?



## What to do if you suspect criminal activity

- IC 5-11-1-27: Requires all local units to report losses, thefts, or shortages directly to SBOA
- Contact SBOA as soon as possible
  - SBOA Director for your unit (Counties are Lori Rogers and Stephanie Heath)
  - SBOA website ([www.in.gov/sboa/](http://www.in.gov/sboa/))
  - Mark Mahon, Tammy Baker or Dean Gerlach
  - Regular SBOA audit team if they are on-site
- Often officials will also contact ISP, local law enforcement, Prosecutor and/or FBI. They are still required to contact the SBOA.



## CONSIDERATIONS

- The matter will take time to resolve
- Emotions can run high
- Investigations are conducted with the highest level of professionalism
- Mismanagement, sloppiness, political differences and ethical lapses are not criminal



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